MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2015/2016

UCO3612 – COMPANY LAW I

(All Sections / Groups)

12 OCTOBER 2015
Reading Time: 9.00 a.m. – 9.15 a.m.
(15 Minutes)
Answering Time: 9.15 a.m. – 12.15 p.m.
(3 Hours)

INSTRUCTIONS TO STUDENT

1. Students will have **fifteen minutes** during which they may read the paper and make rough notes ONLY in the question paper. Students then have the remaining **THREE HOURS** in which to answer the questions.

2. This Question paper consists of 3 pages with 5 Questions only.

3. Attempt **FOUR** out of **FIVE** questions. All questions carry equal marks and the distribution of the marks for each question is given.

4. Students are allowed to bring into the Examination Hall a CLEAN and ORIGINAL copy of Companies Act 1965 (Act 125).

5. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Jingle Bhd. ("JB") holds 55% shares in Kaka Sdn. Bhd. ("KSB") and 100% shareholding in Diggle Sdn. Bhd. ("DSB"). KSB has 35% shareholding and can elect 5 out of 8 members of the Board of Directors in Giggle Sdn. Bhd. ("GSB"). There are only four members in GSB, namely Mickey, Minnie, Donald and Daisy. Mickey is one of the directors of GSB and his son, Teddy holds 20% voting shares in Tata Sdn. Bhd. ("TSB").

With reference to the relevant provisions of the Companies Act 1965, answer the following:

(a) Identify the types of each company.

(5 marks)

(b) Explain the relationship between these companies.

(12 marks)

(c) GSB plans to make a loan to TSB. Advise GSB whether this will infringe any provision in the Companies Act 1965.

(8 marks)

(Total: 25 marks)

QUESTION 2

Bingo Bhd. ("BB") owns all the issued share capital in Dingo Sdn. Bhd. ("DSB") and 35% shares in Jingo Sdn. Bhd. ("JSB"). The directors of BB are also directors of DSB and JSB. DSB has incurred huge losses in its business. The creditors of DSB demanded BB to pay the debts of DSB as DSB appears to be insolvent now.

The Articles of Association of JSB provides, *inter alia*, that JSB has the power to borrow money for the sum not exceeding RM300,000 as long as a Board resolution is passed. Any loan which exceeds the sum of RM300,000 or any charge of the company's property must be approved by a special resolution of the general meeting. In February 2015, the directors of JSB passed a resolution that JSB was to obtain a loan of RM350,000 from Raya Bank Bhd. ("RBB") and a floating charge was created over its stock-in-trade in favour of RBB as a security for the loan. No special resolution was passed in the general meeting. JSB defaulted on the loan. JSB would like to know whether the loan agreement and charge created in favour of RBB are binding on them since there is no special resolution of the general meeting.

Advise BB and JSB.

(Total: 25 marks)

Continued...

QUESTION 3

Winwin Sdn. Bhd. ("WSB") was incorporated with the sole object to sell electrical goods. Subsequently, the board of directors of WSB decided that WSB should venture into book shop business without amending the object clause. For this purpose, WSB has entered into a contract with a publishing company called Sunshine Sdn. Bhd. ("SSB") to purchase various types of books for the sum of RM50,000. The books are yet to be delivered to WSB. Another contract was entered into between WSB and Hello Sdn. Bhd. ("HSB") to purchase numerous book shelves for the book shop. All the book shelves have been delivered to WSB but HSB has not been paid. Two of the members of WSB, Snoopy and Garfield oppose this new venture. They wish to bring a legal action to protect WSB before the books are delivered to WSB. They are also uncertain whether HSB can enforce the contract if WSB defaults in payment.

There is a proposal to alter WSB's Articles of Association by inserting a new provision which allows the directors to buy out at a fair price the shareholding of any member who competes with the company's business. Odie who holds 15% shares in WSB indicated that he will object to the proposal.

Advise Snoopy, Garfield and Odie.

(Total: 25 marks)

QUESTION 4

Yoda Bhd. is a company trading in antique toys. It has three directors: Amelia and Anne are its full time directors while Abigail is its non-executive director. The company has been experiencing a very healthy growth rate, as a result it is in the process of an expansion. The company has opened three new branches across the country. For its newest branch in Seremban, the company is in the midst of negotiations to purchase John's shoplot.

The company entered into the negotiations because John is Abigail's brother. Abigail is now uncertain if this transaction will contravene any provision in the Companies Act 1965. She also wishes to know it there are any statutory provisions that relate to this transaction that should be complied with.

Meanwhile, the company is about to release loans to Anne and Obi Sdn. Bhd. Amelia's husband Julian, is the owner of 25% of the voting shares in Obi Sdn. Bhd. Anne wants the money to finance her daughter's tertiary education in France.

Assuming that Yoda Bhd. adopts Table A as its Articles of Association, advise Abigail and Yoda Bhd.

(Total: 25 marks)

Continued...

QUESTION 5

Sybaba Sdn. Bhd. is a local company set up by several friends with the object of selling stationery. However, several of the founders' relationship has soured over the past years and there has been several heated arguments with regards to the business.

On 1 January 2015, a notice for a general meeting on 16 January, 2015 was issued with a view of passing the following resolutions:

(i) The removal of John as a director of the company.
(ii) The appointment of Julian as a director of the company.
(iii) Alteration of the object of the company to selling antique toys.
(iv) Alteration of Article 22 of the Articles of Association of the company to state that the directors may have unfettered discretion to refuse to register any proposed transfer of shares.

It has been discovered that this notice was not sent to Kerry, a minority shareholder in the company. Assuming that the company adopts Table A as its Articles of Association, answer the following questions:

(a) Can a member appoint an advocate and solicitor as a proxy to attend, speak and vote at a general meeting?

(4 marks)

(b) Can the meeting be convened? If your answer is no, how can the meeting be convened to consider all the resolutions?

(5 marks)

(c) Can Kerry invalidate the meeting?

(6 marks)

(d) State the type of resolution required for each of the above matters and the period of notice required for each resolution.

(10 marks)

(Total: 25 marks)

End of Page